Manitoba

Annual Report 1991

Manitoba Municipal Employees Benefits Board

93-02463/

ADDRESS

Municipal Employees Benefits Board
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Manitoba

Minister of
Rural Development

His Honour George Johnson, M.D.
Lieutenant Governor of Manitoba
225 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

As Minister responsible I have the privilege of presenting for the information of Your Honour the Fifteenth Annual Report of the Municipal Employees Benefits Board for the calendar year ended December 31, 1991.

Respectfully submitted,

Len Derkach

Manitoba

Municipal Employees
Benefits Board

Honourable Len Derkach
Minister of Rural Development
330 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting to you the Fifteenth Annual Report of the Municipal Employees Benefits Board. The Report summarizes the activities of the Board in the 1991 calendar year and details the status of the pension, disability and group insurance programs.

Audited financial statements, submitted as required by the Provincial Auditor, are appended to the Report.

These statements reveal the financial strength and administrative soundness of the Municipal Employee Benefits Fund and indicate municipal and quasi-municipal participants can continue to receive and expect to receive retirement, disability and insurance benefits as promised. Board members and the Board's supporting administrative staff are to be commended for their devotion, diligence and dedication in providing municipal employees with a financially secure benefits package.

Respectfully submitted,

G. D. Forrest
Chairman

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Report of the Board

This 15th Annual Report reviews and highlights the administrative and investment activities of the Municipal Employees Benefits Board for the calendar year 1991.

The Municipal Employees Benefits Board was established under subsection 179.12(1) of the Municipal Act in 1975.

The Board is appointed by the Lieutenant Governor in Council and is comprised of 2 employee representatives, 2 employer representatives and a chairman.

The Board is responsible for the administration of the provisions of the benefit plans established in accordance with the Municipal Act to provide benefits for employees of participating municipalities and quasi-municipal employers in Manitoba. Some of the required administrative and support services are provided by the staff of the Civil Service Superannuation Board.

As Trustees of the Municipal Employee Benefits Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

The Board is responsible for administering the Pension Plan which involves collecting employer pension contributions and pension contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds and other benefits on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit statements, preparing brochures outlining the benefits, newsletters, financial statements and an annual report.

The Board also administers the Group Life Insurance Plan which provides group life insurance and accidental death and dismemberment insurance to participating employees. Effective January 1, 1990, voluntary and dependents' life insurance were added to the Group Insurance Plan. The Board collects insurance contributions, pays the necessary premiums to the Prudential Group Assurance Company, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, to pay waiver of contribution benefits on disability and to stabilize the premium rate.

Since June, 1981, the Board has administered the Disability Pension Part of the Plan which provides long term disability benefits to disabled employees who qualify. The Board collects employee and employer contributions, processes applications for disability benefits, pays disability pensions, prepares explanatory literature and provides counselling to disabled employees.

It is a pleasure to acknowledge the contributions many municipal and quasi-municipal employers made to facilitate the administrative functions of the Board. As well, support staff of the Board deserve warm recognition for their dedication and conscientious service to the Board, and through it, to municipalities, and municipal and quasi-municipal employees who are participating in the Benefits Program.

THE MUNICIPAL EMPLOYEES BENEFITS BOARD

Municipal Employees Benefits Board

Chairman

Gerald D. Forrest
Chairman, Municipal Employees Benefits Board
Winnipeg

Employer Representatives

Henry F. Wiebe, Mayor
Town of Winkler
Representative, Manitoba Association of Urban Municipalities

Dave Harms, Reeve
R.M. of Pembina
Representative, Union of Manitoba Municipalities

Employee Representatives

Bob Malazdrewich,
C.U.P.E. Winnipeg

Frank Woodmass, Vice-Chairman
City Treasurer
City of Brandon

General Manager

Walter Worosz
General Manager, Municipal Employees Benefits Board
General Manager, Civil Service Superannuation Board
Winnipeg

Benefits Manager

Rose Neufeld

Consulting Actuary

John A. Turnbull, F.S.A., F.C.I.A.

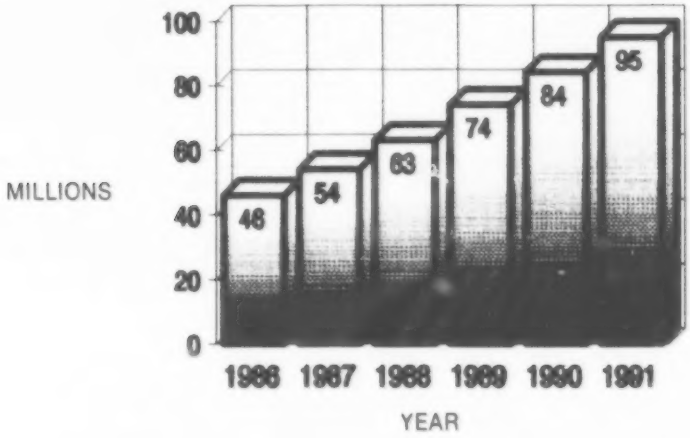
Municipal Employees Benefits Program

10 Year Comparative Statistics

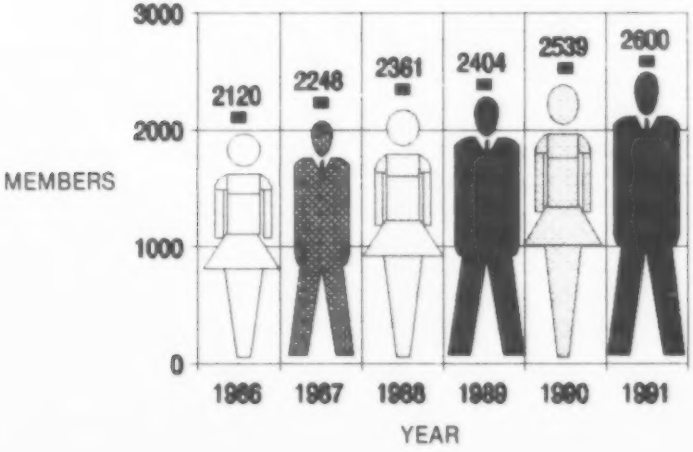
	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
Pension Part of the Pension Plan										
Book Value of Investments	$93,957,369	$82,592,134	$72,409,502	$61,779,665	$52,937,614	$44,686,299	$37,424,278	$30,684,513	$24,116,494	$18,844,437
Investment Income	$ 8,290,405	$ 7,681,362	$ 6,962,375	$ 5,854,255	$ 4,865,009	$ 4,395,536	$ 3,801,031	$ 3,035,670	$ 2,409,185	$ 1,855,948
Employee Contributions	$ 2,915,026	$ 2,709,515	$ 2,524,244	$ 2,371,972	$ 2,216,631	$ 2,027,438	$ 1,896,904	$ 1,767,445	$ 1,667,494	$ 1,542,083
Employer Contributions	$ 2,910,333	$ 2,703,205	$ 2,488,419	$ 2,359,718	$ 2,192,325	$ 2,015,316	$ 1,886,793	$ 1,753,657	$ 1,648,621	$ 1,520,819
Pension Payments	$ 1,748,487	$ 1,428,900	$ 1,162,462	$ 1,000,740	$ 822,243	$ 710,448	$ 559,207	$ 445,218	$ 373,014	$ 245,619
Refund of Contributions and Interest	$ 890,584	$ 592,919	$ 534,336	$ 478,316	$ 388,096	$ 360,402	$ 426,179	$ 244,651	$ 182,903	$ 174,019
Reciprocal Agreement										
— Transfers In	—	$ 134,113	$ 76,296	—	$ 33,690	$ 46,325	$ 17,448	$ 34,811	—	—
— Transfers Out	$ 7,125	$ 82,197	$ 17,864	$ 27,525	—	$ 37,847	$ 29,779	$ 45,832	$ 16,340	$ 59,797
General Expenses	$ 375,733	$ 309,350	$ 302,841	$ 260,024	$ 213,773	$ 179,956	$ 142,818	$ 113,343	$ 120,699	$ 102,078
Participants in Fund	2,600	2,539	2,404	2,361	2,248	2,120	1,973	1,840	1,807	1,797
Employers Participating	275	272	269	267	265	260	257	247	243	241
Pensioners and Other Recipients	476	422	387	346	295	260	215	186	155	121
Terminated Employees	89	107	110	95	100	82	110	91	85	109
Disability Part of the Pension Plan										
Employee Contributions	$ 235,641	$ 206,652	$ 189,198	$ 179,877	$ 164,182	$ 150,141	$ 142,311	$ 130,668	$ 117,978	$ 105,918
Employer Contributions	$ 251,494	$ 221,910	$ 202,868	$ 192,563	$ 176,944	$ 158,053	$ 140,830	$ 130,097	$ 115,378	$ 100,427
Pension Payments	$ 224,258	$ 229,675	$ 91,838	$ 231,643	$ 166,974	$ 223,279	$ 115,329	$ 55,135	$ 44,575	$ 15,929
Refund of Contributions and Interest	$ 3,300	$ 9,586	$ 17,104	$ 11,121	$ 12,186	$ 11,915	$ 18,483	$ 9,232	$ 7,193	$ 2,853
Employers Participating	227	222	218	212	205	199	193	189	185	182
Employees in Receipt of Disability Benefits	49	53	43	44	38	39	27	12	7	4
Group Life Insurance Plan										
Employee Contributions	$ 244,062	$ 229,395	$ 222,113	$ 215,831	$ 203,804	$ 187,604	$ 174,768	$ 161,914	$ 149,306	$ 134,791
Employer Contributions	$ 226,815	$ 210,623	$ 200,532	$ 193,497	$ 180,782	$ 162,947	$ 151,077	$ 139,209	$ 128,015	$ 115,191
Voluntary and Dependents' Contributions	$ 44,968	$ 33,487	—	—	—	—	—	—	—	—
Death & Dismemberment Claims	$ 419,000	$ 463,020	$ 249,750	$ 242,000	$ 290,341	$ 281,250	$ 42,000	$ 184,500	$ 126,170	$ 224,603
Employers Participating	235	232	229	225	221	217	212	206	203	201

Report Highlights (continued)

6 Year Fund Assets

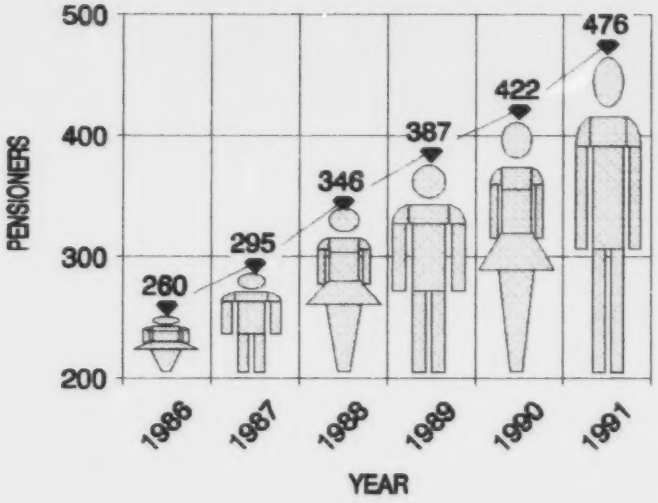


Employees by Year



Report Highlights (continued)

Pensioners by Year



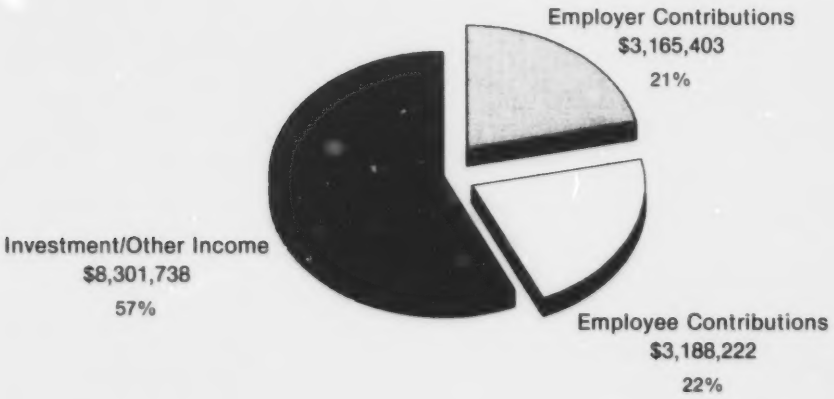
Municipal Employees Benefits Program

Pension Plan Activities

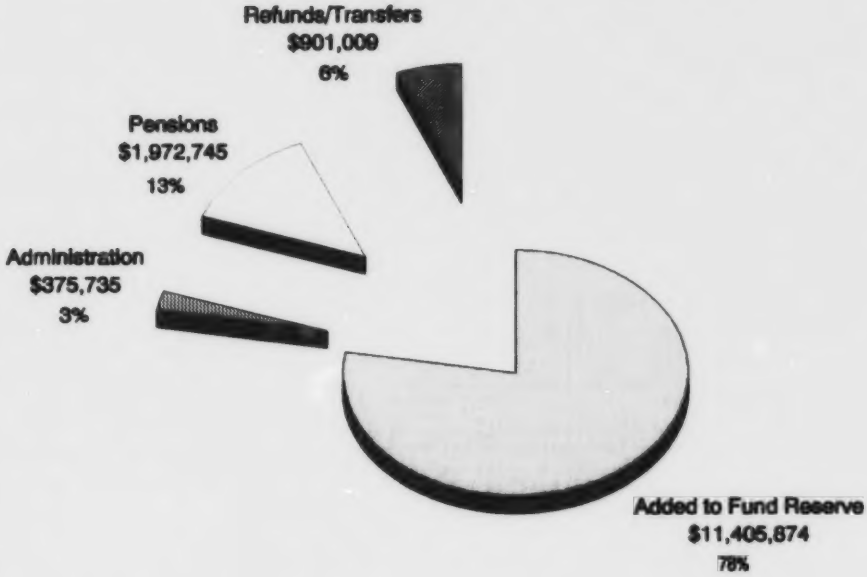
Pension Plan activities in 1991 compared with 1990 are displayed as follows:

	1991	1990	Increase (Decrease)
Book Value of Investments	$93,957,369	$82,592,133	$11,365,236
Investment Income	$ 8,290,405	$ 7,681,362	$ 609,043
Employee Contributions	$ 2,915,026	$ 2,709,515	$ 205,511
Employer Contributions	$ 2,910,333	$ 2,703,205	$ 207,128
Pension Payments	$ 1,748,487	$ 1,428,900	$ 319,587
Refund of Contributions and Interest	$ 890,584	$ 592,919	$ 297,665
Reciprocal Agreement Employee and Employer Contributions and Interest			
— Transfers In	—	$ 134,113	$ (134,113)
— Transfers Out	$ 7,125	$ 82,197	$ (75,071)
General Expenses	$ 375,733	$ 309,350	$ 66,383
Participants in Fund	2,600	2,539	61
Employers Participating	275	272	3
Pensioners and Other Recipients	476	422	54
Terminated Employees	89	107	(18)

Pension and Disability Revenue



Disbursement of Pension and Disability Revenue



Participation

In 1991, the following employers began participating:

Antler River Recreation District
Intermountain Recreation District
Unincorporated Village District of Grunthal
White Plains Recreation District

The Pipestone Albert Weed Unit disbanded effective March 31, 1991.

As at December 31, 1991, 195 municipalities plus 80 quasi-municipal organizations were participating in the Pension Plan.

In 1991, 218 employees joined the Plan, bringing the total participants to 2,600. (This figure includes 13 members who were advised to remain in prior pension plans but who contribute to the Disability Pension Part of the Plan.)

Pension Benefits

In 1991, pensions paid totalled $1,748,487, a net increase of $319,587 over 1990.

As at December 31, 1991, pensions were payable to 413 pensioners, 31 beneficiaries, and 32 spouses of employees who died in service. In 1991, 9 employees died in service and 5 of the spouses are receiving lifetime annuities, guaranteed for 10 years. Two spouses chose to receive the lump sum benefit in cash and 2 refunds were made payable to the deceased "estates". There were 54 new retirements in 1991. New retirees elected the following pension options:

Pension reducing to two-thirds at pensioner's death	27
Pension reducing to one-half at pensioner's death	1
No Reduction at either death	1
10 Year Guarantee	4
15 Year Guarantee	2
Lifetime*	19
Total	**54**

*Note: The majority of pensioners who elected the lifetime pension were either female, single or had small pensions due to short service.

An amendment to the Pension Benefits Act effective January 1, 1984 requires that employees who at the time of retirement have a spouse must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory form of pension may be waived if the employee's spouse completes a spousal waiver form.

Since 1981, the Municipal Employees Benefits Board has extended to employees who elect to retire early the option of "integrating" their MEBB pension and receiving advances on their Old Age Security and/or Canada Pension. In 1991, 14 retirees chose to integrate.

As at December 31, 1991 there were 115 members with paid-up or deferred pensions.

Cost-of-Living Adjustment in Pensions

Cost-of-living adjustments have been paid since 1981 and the adjustment date was changed from July to January in 1988. Effective January 1, 1991, a cost-of-living adjustment was paid to eligible pensioners and beneficiaries whose deceased spouses retired prior to July 1, 1989. Cost-of-living adjustments equalling two-thirds of the increase in the Consumer Price Index for the 12 months ending July 1, 1990 or 2.86%, were paid. Each employee entitled to the full increase received 41¢ per month for each year of contributory service to a maximum of 35 years plus 1.43% of the ordinary lifetime pension.

Beneficiaries receive two-thirds of the increase which would have been paid had the retired employee been alive at the date of increase.

Pension Refunds

In 1991, refunds totalling $901,009 were paid. This included refunds of pension contributions and interest, disability pension contributions and interest, plus excess employee contributions and interest (50% test)*. These refunds are divided as follows:

	Number of Employees	Amount of Payment
Terminated Employees — full refund	89	$541,445
Terminated Employees — combination refund and paid-up pension	19	78,784
Transfer out re: marriage breakup	8	72,620
Refund to estates of deceased employees	4	60,954
Transfer out under reciprocal agreement	1	7,125
Refund of unused contributions of deceased pensioners	1	495
Refund of overpayments	22	139,586
		$901,009

*Note: If the accumulated employee contributions for the benefit after January 1, 1985 have a value in excess of 50% of the present value of the benefits, the excess must be refunded to the employee or used to provide additional benefits.

Reciprocal Pension Agreements — Manitoba Transfers

At 1991 year end, 28 employees whose contributions remain in the MEBB Plan had transferred to the Manitoba Civil Service Superannuation Plan, 1 to the City of Winnipeg and 3 are transferring to the Manitoba Health Organization. Pensions paid to these employees at retirement will be based on the best 5 years earnings out of the last 10 years with the new employer and/or municipal employer.

Reciprocal Pension Agreements — Other Jurisdictions

Reciprocal agreements permitting the transfer of pension credits between MEBB and the following pension plan authorities were in effect on December 31, 1991:

Alberta Local Authorities Pension Board
Saskatchewan Municipal Employees Superannuation Commission
Ontario Municipal Employees Retirement Board (OMERS)
Government of Canada — Public Service Pension Plan

	Transfers to MEBB in 1991		Transfers from MEBB in 1991	
	Number	Amount	Number	Amount
Government of Canada	—	—	1	$7,125
		—		$7,125

Disability Pension Part of the Plan

The Disability Pension Part of the Plan came into being on June 1, 1981. Activities in 1991 compared with 1990 are as follows:

Disability Pension Part of the Plan	1991	1990	Increase (Decrease)
Employee Contributions	$235,641	$206,652	$28,989
Employer Contributions	$251,494	$221,910	$29,584
Pension Payments*	$224,258	$229,675	$(5,417)
Refund of Contributions and Interest	$ 3,300	$ 9,586	$(6,286)
Employers Participating	227	222	5
Employees in Receipt of Disability Benefits	49	53	(4)

*The actual amount paid out as disability pension payments was $239,105 ($260,996 for 1990). The above amount has been reduced by the recovery of disability pensions payable under prior plans.

On January 1, 1991, a cost-of-living adjustment was paid to all employees in receipt of disability benefits under the Disability Pension Part of the Plan. This adjustment amounted to two-thirds of the increase in the Consumer Price Index for the 12 months ending July 1, 1990, or 2.86%.

Group Life Insurance Plan

At 1991 year end, 168 municipalities plus 67 quasi-municipal organizations participated in the group life insurance program. Activities in 1991 compared with 1990 are as follows:

Group Life Insurance Plan	1991	1990	Increase (Decrease)
Employee Contributions	$244,062	$229,395	$ 14,667
Employer Contributions	$226,815	$210,623	$ 16,192
Voluntary and Dependents' Contributions	$ 44,968	$ 33,487	$ 11,481
Death and Dismemberment Claims	$419,000	$463,020	$(44,020)
Employers Participating	235	232	3

Municipal Employees Benefits Board Information Services

Board staff members are available to answer inquiries or meet individually with any employee (and spouse, family, etc.) who wishes information and assistance on termination, retirement planning or other matters of concern. During 1991, many municipal employees and spouses took advantage of this information and counselling service.

In 1991, the Municipal Employees Benefits Board conducted two day-long pre-retirement counselling seminars. Staff attended the Manitoba Municipal Administrators Association district meetings in the autumn of 1991 to discuss the proposed Disability Income Plan and other changes required due to amendments to the Income Tax Act.

An Annual Employee Benefits Statement detailing plan member's status, contributions, contributory service, current and projected pension benefits, and the amount of group insurance coverage was distributed to each member. Members were also sent a copy of the Annual Report.

Federal Government Pension Reform

On January 15, 1992, the Federal Government approved new regulations under the Income Tax Act which will require changes to the Municipal Employees Benefits Plans in order to comply with their legislation effective January 1, 1992 as follows:

1. 3% Early Retirement Reduction:

   The current 3/4% early retirement reduction for each year that a member retires before age 60 must be increased to 3% for pension benefits earned for service commencing January 1, 1992. This reduction is 15% at age 55 compared to the current 3 3/4%. This does not affect those members retiring with 30 years of service.

2. Maximum Pension:

   The maximum lifetime pension benefit that a member can accrue for any one year of service commencing January 1, 1992 is $1,722.22 (indexed after 1994). This will translate into maximum pensionable earnings of $95,771 in 1992. The maximum pension that can be paid at retirement is $60,277.70 per year.

3. Pension Options at Retirement Date:

   a) The beneficiary of a lifetime survivor option must be either a spouse, former spouse, or a dependent of the member at the time of the member's death.

   b) The lifetime survivor option cannot exceed two-thirds of the amount payable to the retired member.

   c) The maximum pension guarantee period permitted is 15 years from the date of retirement if a lifetime pension is being provided. The maximum guarantee period permitted is 5 years if a joint and last survivor pension is chosen.

4. Pre Retirement Survivor Benefits:

   Items 3(a) and 3(b) also apply to survivor benefits paid to the eligible survivor of a member who dies prior to the commencement of the pension.

5. Disability Pension Part of the Plan:

   The long term disability benefits must be separated from the Pension Part of the Plan. Contributions to the Disability Plan are no longer income tax deductible.

6. Reduction of Benefits:

   The Regulations require that a defined benefit plan provides for a reduction in benefits or a refund of contributions if designated maximums are exceeded.

Report on Changes in Status — Participants

for the year ended December 31, 1991

Males

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1991
-19	1				1
20-24	17	4			34
25-29	30	7			172
30-34	32	16			289
35-39	17	12	1		282
40-44	17	13			303
45-49	9	6			234
50-54	10	1	2		226
55-59	8		1	7	211
60-	5	6	5	40	178
	146	65	9	47	1930

Females

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1991
-19					
20-24	13	4			27
25-29	17	10			100
30-34	15	7			102
35-39	17	1			128
40-44	5	4			88
45-49	3	1			90
50-54	1	1			84
55-59				4	27
60-	1			3	24
	72	28	—	7	670
Totals	**218**	**93**	**9**	**54**	**2600**

Actuarial Studies

Pension Plan Benefit Improvements Financed Out of Actuarial Surplus

The January 1, 1989 Actuarial Report disclosed a surplus of $2,926,085 based on the service to date valuation method.

The Board used the surplus disclosed in 1989 to finance the following improvements in benefits effective November 1, 1990:

(1) The pension formula was improved by reducing from 6 of the last 12 to 5 of the last 10, the number of years used in calculating a member's final average earnings. The actuarial cost of this benefit was $1,767,800.

(2) The .6% CPP offset is eliminated if retirement occurs before age 60. At age 60, the pension is recalculated using the regular formula. The cost of this benefit was $952,900.

The following improvement was effective January 1, 1991:

Cost-of-living increases reflect two-thirds of the change in the Consumer Price Index (previously one-half). The cost of this benefit was $551,400.

The following change was effective January 1, 1992:

Cost-of-living increases are paid as a flat percentage of the basic pension plus previously granted increases. Previously 50% of the increase was based on service and 50% was based on the basic pension plus previously granted increases. There was no actuarial cost to this change.

Investments

The following comparative table illustrates investments held in trust by the Municipal Employees Benefits Board as of December 31, 1991.

Investment Holdings	1991 ($000)	1990 ($000)	Increase (Decrease) ($000)
Bonds:			
Federals and Provincials	14,612	7,146	7,466
City and Municipal	987	1,034	(47)
Corporate	16,016	17,614	(1,598)
Pooled Bond Funds	2,061	1,369	692
Calendar Year Funds	1,432	1,833	(401)
	35,108	28,996	6,112
Mortgages:			
CMHC Insured	4,315	3,651	664
Pooled Mortgage Funds	23,699	21,267	2,432
	28,014	24,918	3,096
Short Term Certificates	6,950	11,390	(4,440)
Equities:			
Equity Component Balanced Funds	13,761	9,021	4,740
Pooled Funds	385	—	385
Petroleum and Natural Gas Interests	1,658	1,579	79
	15,804	10,600	5,204
Real Estate	9,684	8,644	1,040
Total	95,560	84,548	11,012

Note: The average yield on new bonds purchased in 1991 was 9.93%.

The Municipal Employee Benefits Fund

Management Report

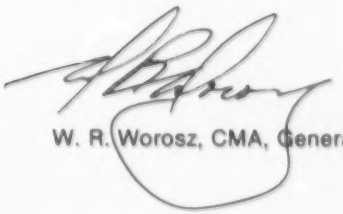
The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to April 10, 1992. The financial information presented elsewhere in the Annual Report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Fund are properly safeguarded. Staff of the Provincial Auditor's office review internal controls on an ongoing basis and report their findings to management and the Board who sit as an Audit Committee in whole.

The responsibility of the Provincial Auditor and his staff is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Board meets as an Audit Committee with management, the Provincial Auditor and his staff to satisfy itself that each group has properly discharged its respective responsibility and to review the financial statements before approving them. The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On behalf of Management



W. R. Worosz, CMA, General Manager

Office of
the Provincial Auditor

905 - 386 Broadway
Winnipeg, Manitoba, CANADA
R3C 3R6

Auditor's Report

To the Municipal Employees Benefits Board

To the Legislative Assembly of Manitoba

We have audited the statement of net assets available for pension benefits and statement of net assets available for insurance benefits of The Municipal Employee Benefits Fund as at December 31, 1991 and the statement of change in net assets available for pension benefits and the statement of change in net assets available for insurance benefits for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for pension and insurance benefits of the Fund as at December 31, 1991 and the changes in net assets available for pension and insurance benefits for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

F. H. Jackson, CA
Provincial Auditor

Winnipeg, Manitoba
April 10, 1992

Exhibit A
The Municipal Employee Benefits Fund

Statement of Net Assets Available for Pension Benefits

as at December 31, 1991

	1991	1990
ASSETS		
Investments, Schedule 1, Note 4	$93,957,369	$82,592,134
Fixed assets	19,802	28,818
Employers' and employees' contributions receivable	542,783	526,061
Accrued income receivable	929,461	851,512
Cash	(15,208)	11,986
Total Assets	95,434,207	84,010,511
LIABILITIES		
Accounts payable	63,741	61,585
Money purchase accounts plan, Note 5	115,073	99,407
Total Liabilities	178,814	160,992
Net assets available for pension benefits, Exhibit C	$95,255,393	$83,849,519

Exhibit B
The Municipal Employee Benefits Fund

Statement of Net Assets Available for Insurance Benefits

as at December 31, 1991

	1991	1990
ASSETS		
Term deposits	$ 1,189,280	$ 1,032,483
Funds on deposit with Prudential Group Assurance Company of England (Canada)	97,936	161,398
Employers' and employees' contributions receivable	39,478	39,782
Accrued interest	18,549	25,200
Cash	33,102	15,914
Total Assets	1,378,345	1,274,777
LIABILITIES		
Accounts payable	2,675	1,282
Insurance contributions account	44,051	42,285
Total Liabilities	46,726	43,567
Net assets available for insurance benefits, Exhibit D	$ 1,331,619	$ 1,231,210

Exhibit C
The Municipal Employee Benefits Fund

Statement of Change in Net Assets Available for Pension Benefits

for the year ended December 31, 1991

	1991				1990
	Basic Pension Benefits	Pension Indexing Benefits	Disability Pension Indexing Benefits	Total	Total
Increase in assets:					
Employers' and employees' contributions, Schedule 2	$ 6,353,625	$ —	$ —	$ 6,353,625	$ 6,001,074
Investment income, net, Schedule 3	7,607,513	647,223	35,669	8,290,405	7,681,362
Bank and other interest	11,333	—	—	11,333	17,089
Total increase in assets	13,972,471	647,223	35,669	14,655,363	13,699,525
Decrease in assets:					
Pension — regular	1,623,355	125,132	—	1,748,487	1,428,900
— long term disability, net	212,943	—	11,315	224,258	229,675
Refunds of contributions and interest	893,884	—	—	893,884	602,505
Payments of contributions and interest to other pension plans	7,125	—	—	7,125	82,197
Administrative expenses, net, Schedule 4	375,735	—	—	375,735	309,350
Total decrease in assets	3,113,042	125,132	11,315	3,249,489	2,652,627
Increase in net assets	10,859,429	522,091	24,354	11,405,874	11,046,898
Net assets available for pension benefits at beginning of year	78,136,724	5,412,280	300,515	83,849,519	72,802,621
Net assets available for pension benefits at end of year, Exhibit A	$88,996,153	$ 5,934,371	$ 324,869	$95,255,393	$83,849,519

Exhibit D
The Municipal Employee Benefits Fund

Statement of Change in Net Assets Available for Insurance Benefits

for the year ended December 31, 1991

	1991	1990
Increase in assets:		
Contributions:		
Employers	$ 226,815	$ 210,623
Employees	244,062	229,395
Voluntary insurance	19,026	11,895
Dependents' insurance	25,942	21,593
Total contributions	515,845	473,506
Interest	108,937	123,473
Insurance experience refund	25,546	73,346
Total increase in assets	650,328	670,325
Decrease in assets:		
Decrease (increase) in experience surplus held by Prudential Group Assurance Company of England (Canada)	63,462	(20,838)
Premiums to Prudential Group Assurance Company of England (Canada)	458,998	414,457
Salaries	20,577	13,933
Actuarial fees	6,822	16,509
Miscellaneous	60	2,225
Total decrease in assets	549,919	426,286
Increase in net assets	100,409	244,039
Net assets available for insurance benefits at beginning of year	1,231,210	987,171
Net assets available for insurance benefits at end of year, Exhibit B	$1,331,619	$1,231,210

Notes to the Financial Statements

for the year ended December 31, 1991

1. Nature of the Organization:

   The Municipal Employees Benefits Board was established under The Municipal Act in 1976 and is responsible for administering The Municipal Employee Benefits Fund.

   The Municipal Employee Benefits Fund provides pension and insurance benefits to municipal and quasi-municipal employees. A Regulation under the Municipal Act requires that employees contribute 4.4% of employment earnings up to the Canada Pension Plan's maximum earnings and 6% of employment earnings above the maximum each year to the Fund. The employers are required to match these contributions. The Regulation also requires contributions at the rate of 1% of employment earnings to the disability pension part of the Fund in respect of each employee who is eligible to participate. Each organization is allowed to determine what portion of these contributions are paid by the employer and employee.

   Pension indexing benefits and long term disability indexing benefits are administered through separate accounts.

   Effective January 1, 1992, the Disability Income Plan was established to replace the existing long term disability plan.

   The Board provides administrative services to the money purchase accounts plan and other external organizations and recovers its related costs.

2. Significant Accounting Policies:

   The significant accounting policies are summarized below:

   (a) The Fund follows the accrual basis of accounting.

   (b) The investment valuation and income measurement policies consist of:

      (i) Fixed income investments:

      Premiums and discounts on bonds and debentures are amortized on a straight line basis over the term of the investment.

      Investment gains and losses are taken into investment income over the period to maturity of the investments disposed. The unamortized portion of realized investment gains and losses is reflected as a component of the Fund's investments.

      (ii) Equity investments:

      Equity investments are recorded at the lower of cost or net realizable value.

      One-fifth of the difference between the book value and the market value of equity investments at the end of the fiscal year is reflected in investment income and the offset reflected as unrealized appraisal adjustments within the Fund's investments.

Realized gains or losses are adjusted by the amount of unrealized appraisal adjustments recorded in the investment income in the previous years. One-fifth of the adjusted realized investment gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

(iii) Provision for investment losses:

Investment income in the amount of 1/4 of 1% of the book value of fixed income investment assets is transferred annually to the provision for investment losses.

Impairment in the value of investments, considered to be permanent by the Investment Committee, is charged to the provision for investment losses. Subsequent recoveries increase the provision.

(c) Fixed assets:

Furniture purchases are charged to operations in the year of acquisition.

Computer equipment costs are capitalized and amortized on a straight line basis over six years. Computer program development costs are capitalized and amortized on a straight line basis over five years.

3. Actuarial Valuations

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Fund on an actuarial valuation basis.

In accordance with the Act, an actuarial valuation of the Fund's basic pension benefits is required every three years. The most recent actuarial valuation report as at January 1, 1989 disclosed a surplus of $2,926,085 in net assets over actuarial liabilities.

The actuarial valuation of the Fund's insurance account as at January 1, 1989 disclosed a deficit of $332,701 in actuarial liabilities over net assets. The Actuary, in his report, stated that the existence of a deficit is due to the actual experience being less favorable than expected. He also stated that the deficit is decreasing in terms of a percentage of total liabilities and that the financial position is expected to improve in the future based on a further improvement in claims experience and higher investment earnings.

The actuarial valuation of the Fund's pension indexing benefits account as at July 1, 1990 indicated that $3,534,519 (1989 - $3,372,014) was available to fund additional cost-of-living increases for pensioners. Effective January 1, 1991, the Board approved and paid the current year portion of the actuarially calculated pension adjustment for 1991. The total actuarial liability for the pension indexing adjustment is $368,800 (1990 - $223,500).

The actuarial valuation of the Fund's disability indexing benefit account as at July 1, 1990 indicated that $1,146,996 (1989 – $1,050,928) was available to fund additional cost-of-living increases for disabled members. Effective January 1, 1991, the Board approved and paid the current year portion of the

actuarially calculated disability pension adjustment for 1991. The total actuarial liability for the disability pension indexing adjustment is $28,000 (1990 - $16,000).

On July 1, 1990, the Board transferred $904,796 from the disability indexing benefit account to the pension indexing benefit account. The above actuarial valuations do not reflect the effect of this transfer.

4. Investments:

	1991		1990	
	Book Value	Market Value	Book Value	Market Value
Total fixed income investments	$69,604,570	$ 74,393,338	$64,548,746	$64,586,952
Equity investments	25,479,783	26,023,607	18,996,361	19,097,380
Provision for investment losses	(1,126,984)	—	(952,973)	—
Total Investments, Schedule 1	$93,957,369	$100,416,945	$82,592,134	$83,684,332

5. Money Purchase Accounts Plan:

Effective July 1, 1985 a Money Purchase Accounts Plan was established. Eligible individuals may transfer to the plan an amount from either the Fund or pension plan of a prior employer. The Plan is administered separately by the Board, which recovers administrative costs from the Plan.

	1991	1990
Deposits and interest income	$ 36,230	$ 53,955
Deductions:		
Refund of deposits	19,801	9,329
Administration fees charged by Municipal Employees Benefits Board, Schedule 4	730	676
Bank Charges	33	15
	20,564	10,020
Increase for the year	15,666	43,935
Balance at beginning of year	99,407	55,472
Balance at end of year, Exhibit A	$115,073	$ 99,407

6. Administrative Services:

The Municipal Employees Benefits Board entered into an agreement with The Civil Service Superannuation Board to provide administrative services to The Municipal Employees Benefits Fund with regard to its pension and insurance operations. In accordance with the terms of the agreement, The Municipal Employees Benefits Fund reimburses The Civil Service Superannuation Fund for the cost of its share of these services. These costs amounted to $28,908 (1990 - $35,155) and are included in administrative expenses.

7. Disability Income Plan:

Effective January 1, 1992, a disability income plan was established as a separate benefits plan. The existing long term disability plan will exist only for those currently receiving benefits as at December 31, 1991. All new contributions and claims starting January 1, 1992 will be through this new plan.

8. Comparative Figures:

Comparative figures for the year ended December 31, 1990 have been restated to conform with this year's presentation.

Schedule 1
The Municipal Employee Benefits Fund

Summary of Investments for Pension Benefits

as at December 31, 1991

	1991		1990
	Par Value	Book Value	Book Value
Fixed income investments:			
Term deposits	$ 5,437,068	$ 5,437,068	$10,053,051
Bonds and debentures:			
Government of Canada	7,850,000	8,084,403	2,352,754
Province of British Columbia	1,200,000	1,266,234	—
Province of Newfoundland	500,000	500,000	500,000
Province of Ontario	4,000,000	4,036,475	4,042,936
Province of Saskatchewan	705,000	725,449	250,000
Hospitals and Municipal Corporations	994,000	986,501	1,034,084
Corporations	16,139,328	16,016,224	17,613,645
Fixed income component balanced funds (includes short term)	1,512,801	1,512,801	1,337,861
Pooled bond funds		2,061,006	1,369,401
Calendar year funds		1,432,030	1,832,511
Mortgages			
National Housing Act (Canada)	3,723,500	3,445,821	3,651,095
Pooled mortgage funds		23,698,825	21,267,271
Other mortgages	869,324	869,324	
Unamortized (gains) on disposition		(467,591)	(755,863)
Total fixed income investments		69,604,570	64,548,746
Equity investments			
Common stock		376,000	—
Equity component balanced funds		13,760,819	9,021,129
Petroleum and natural gas investments, shares		1,657,863	1,579,320
Real estate			
Units of pooled real estate		9,683,569	8,637,291
Pooled common stock		9,371	6,720
Unamortized (gains) on disposition		(460,805)	(674,851)
Unrealized appraisal adjustments		452,966	426,752
Total equity investments		25,479,783	18,996,361
		95,084,353	83,545,107
Less: Provision for investment losses		(1,126,984)	(952,973)
Total investments, Exhibit A		$93,957,369	$82,592,134

Schedule 2
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1991

	1991			1990
	Employers' contributions	Employees' contributions	Total	Total
Municipal Corporations				
Cities	$1,102,366	$1,102,339	$2,204,705	$2,000,288
Local Government Districts	165,522	165,503	331,025	342,891
Rural Municipalities	685,720	685,664	1,371,384	1,290,464
Towns	609,103	609,103	1,218,206	1,137,376
Villages	111,372	111,372	222,744	207,901
Quasi-Municipal Organizations				
Weed Control Boards and Districts	32,155	33,554	65,709	70,488
Other	204,095	204,080	408,175	358,484
Total regular pension contributions	$2,910,333	$2,911,615	$5,821,948	$5,407,892
Contributions based on prior non-pensionable employment	1,008	2,369	3,377	4,828
Long term disability pension contributions	251,494	235,641	487,135	428,562
Transfers from other pension plans under reciprocal agreements	—	—	—	134,113
Reinstatement receipts	—	35	35	—
Transfer from prior plans	—	38,562	38,562	25,432
Interest on outstanding contributions	2,568	—	2,568	247
Total pension contributions, Exhibit C	$3,165,403	$3,188,222	$6,353,625	$6,001,074

Schedule 3
The Municipal Employee Benefits Fund

Statement of Investment Income for Pension Benefits

for the year ended December 31, 1991

	1991	1990
Fixed income:		
Interest	$7,233,963	$6,820,963
Amortization of realized gains	229,300	232,658
	7,463,263	7,053,621
Equity income:		
Real estate dividends and interest	514,397	446,507
Other dividends and interest	380,566	289,903
Unrealized appraisal adjustments	26,216	(88,778)
Amortization of realized gains	214,045	214,045
	1,135,224	861,677
Gross investment income	8,598,487	7,915,298
Less:		
Transfer to provision for investment losses	174,011	161,139
Investment related expenses	134,071	72,797
	308,082	233,936
Total net investment income, Exhibit C	$8,290,405	$7,681,362

Schedule 4
The Municipal Employee Benefits Fund

Statement of Administrative Expenses for Pension Benefits

for the year ended December 31, 1991

	1991	1990
Salaries and fringe benefits	$237,441	$199,900
Professional fees	49,427	31,789
Bank charges	409	540
Computer related costs	20,126	17,905
Furniture and fixtures	2,053	285
Medical examinations	12,257	10,234
Miscellaneous	12,293	6,857
Pension commission	5,000	5,000
Printing and stationery	13,896	15,593
Seminars and travelling	4,541	6,963
Telephone, postage and delivery	19,805	16,612
Total administrative expenses	377,248	311,678
Administrative expenses recovered:		
Money purchase accounts plan recovery, Note 5	730	676
Long term disability recovery	783	1,652
Total administrative expenses, net, Exhibit C	$375,735	$309,350